

SC endorses HC's call on ex-auditors of troubled IL&FS

Dhananjay.Mahapatra
@timesgroup.com

New Delhi: The Supreme Court on Tuesday endorsed the Bombay high court's decision to put on hold its judgment quashing prosecution launched by the Serious Fraud Investigation Office (SFIO) against former auditors of scam-tainted IL&FS—BSR & Associates (a KPMG-affiliated firm) and Deloitte Haskins and Sells.

A bench of Chief Justice S A Bobde and Justices M R Shah and A S Bopanna entertained an appeal filed by the Centre challenging the Bombay HC's April 21 judgment quashing prosecution against the two auditing firms, which were earlier associated with IL&FS. The bench agreed to continue the HC's decision to stay its own judgment for eight weeks and protected the auditors and their employees against any coercive action till further orders.

However, the bench refused to entertain a petition by former IL&FS vice-chairman Hari Sankaran challenging Bombay HC's May 5 decision to cancel interim bail for eight weeks granted by a Mumbai trial court. Sankaran's counsel with-

drew the petition.

Appearing for the SFIO and the Centre, solicitor general Tushar Mehta said the HC had quashed prosecution proceedings against those accused of a scam involving approximately Rs 16,000 crore on the hyper technical ground that the central government, on the basis of a detailed report by the SFIO, accorded sanction promptly, thereby showing non-application of mind.

"Moreover, the HC interpreted Section 140(5) of the Companies Act, 2013, in a manner which would absolve such criminally liable auditors, from re-

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percussions of their actions arising from the second proviso to Section 140(5) of the Act, merely if they have submitted their resignations as statutory auditors after proceedings against them are initiated under the said provision," Mehta said.

"The findings of the HC would result in complete extinguishment of a criminal trial and further proceedings against the respondents, who have been found to have been involved in a serious financial scam having repercussions on the national economy," he added.